

DOCUMENT #3

Letter of Aufhauser to Nicati



GENERAL COUNSEL

DEPARTMENT OF THE TREASURY
WASHINGTON

November 29, 2001

M. Claude Nicati
 Substitut du Procureur General
 Taubenstrasse 16
 3003 Berne
 SWITZERLAND

Re: Yassin A. Kadi

Dear Mr. Nicati:

This letter is provided to you pursuant to your request under the mutual legal assistance treaty between the United States and Switzerland in connection with the action taken by the Government of Switzerland to block assets of Yassin A. Kadi (aka Qadi or Qadhi). Although some of the information concerning Mr. Kadi comes from sensitive sources that we cannot disclose, we have agreed to provide you with an unclassified summary of certain information concerning Mr. Kadi. We believe that this information is generally reliable and, taken as a whole, supports the decision to block Mr. Kadi's assets. This summary may be disclosed publicly in legal proceedings.

Based upon information available to the United States Government, we have a reasonable basis to believe that Mr. Kadi has a long history of financing and facilitating the activities of terrorists and terrorist-related organizations, often acting through seemingly legitimate charitable enterprises and businesses.

In 1991, Mr. Kadi wired \$820,000 to a business in the United States. This money was laundered through a complex land transaction in Illinois, apparently to hide any connection to Mr. Kadi and the eventual transfer of the funds to the Quranic Literacy Institute (QLI). Some of the proceeds of this transaction were used by QLI to finance the activities of Mohammed Salah (alias Abu Ahmed),¹ an admitted head of the military wing of the terrorist organization HAMAS.² Subsequently, Mr. Kadi wired \$27,000 *directly* to Mr. Salah's account in March

¹ Mr. Salah is a "Specially Designated Terrorist" (STD) under United States Executive Order No. 12947, 60 Fed. Reg. 5079 (1995) (E.O. 12947). See Notice of Blocking, 60 Fed. Reg. 41152 (1995).

² HAMAS has been designated a "Foreign Terrorist Organization" pursuant to the Anti-Terrorism and Effective Death Penalty Act of 1996, Pub. L. 104-132, 110 Stat. 1214 (1996) and an SDT under E.O. 12947, see 31 C.F.R. Ch V, App. A, and a "Specially Designated Global Terrorist" (SDGT) under United States Executive Order No. 13224, 66 Fed. Reg. 49079 (2001) (E.O. 13224).

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1992. This wire, from Faisal Finance account number IFA 10004, came directly from an account that is the subject of the Swiss sequestration order covering Mr. Kadi's accounts. There were additional wires from Faisal Finance to Mr. Salah's account, but our information on those transfers is still incomplete. Similarly, we are still investigating other Faisal Finance transfers, one for \$200,000 and another for \$665,000, all or a substantial portion of which were sent to Mr. Salah through an account controlled by another HAMAS operative, Abu Marzook.³

At the direction of Abu Marzook, Mr. Salah distributed tens of thousands of dollars, and perhaps more, to HAMAS cells in and around Israel. Mr. Salah was arrested in Israel in 1993 carrying nearly \$100,000 in cash and extensive notes of his meetings with HAMAS operatives during the days preceding his arrest. Analysis of the monetary transfers involved in the Illinois land transaction, and of wires into Mr. Salah's accounts prior to leaving for Israel, show a close connection between the funds involved in the transactions and those distributed by Mr. Salah to terrorist cells.⁴

In recent press interviews, Mr. Kadi has denied any wrongdoing in connection with these money transfers. He says that the loan on the Illinois property was intended to help the QLI "open a peaceful dialogue between nations," but he has neither explained the convoluted nature of the transaction nor made any claim for repayment of the "loan." He claims not to recall ever having met Mr. Salah, although Mr. Salah's lawyer states that Mr. Salah did meet with Mr. Kadi, that Mr. Kadi befriended him, and that he gave the \$27,000 to Mr. Salah to open a bank account in Chicago.

Mr. Kadi has acknowledged in a number of press accounts that he is the founder of the Muwafaq, or "Blessed Relief," Foundation. He is identified in legal records as "Chairman" of the foundation. The leader of the terrorist organization Al-Gama'at Al-Islamiya,⁵ Talad Fuad Kassem, has said that the Muwafaq Foundation provided logistical and financial support for a mujahadin battalion in Bosnia. The foundation also operated in Sudan, Somalia and Pakistan, among other places.

A number of individuals employed by or otherwise associated with the Muwafaq Foundation have connections to various terrorist organizations. Muhammad Ali Harrath, main activist of the Tunisian Islamic Front (TIF) in the United Kingdom, was associated with Muwafaq personnel in Bosnia and other TIF members worked at the Muwafaq Foundation. Syrian citizen Mahmoud Mehdi, once a director of the Muwafaq Foundation in Pakistan, was a member of Al-Qa'ida and the Al-Faran terrorist group⁶ responsible for the kidnapping of

³ Mr. Marzook has been designated a SDT under E.O. 12947. See 31 C.F.R. Ch. V, App. A.

⁴ A detailed account of Mr. Salah's activities, which included the recruitment and funding of HAMAS terrorists, can be found in the affidavit of FBI Special Agent Robert Wright (previously provided to you) and in *In re Extradition of Marzook*, 924 F. Supp. 565, 587-92 (S.D.N.Y. 1996).

⁵ Al-Gama'at Al-Islamiya has been designated a "Foreign Terrorist Organization" pursuant to the Anti-Terrorism and Effective Death Penalty Act of 1996. See 31 C.F.R. Ch. V, App. A.

⁶ Al-Faran is a "Specially Designated Global Terrorist Entity" under E.O. 13224.

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Westerners in Kashmir. He was also close to Ramzi Yusif who has been convicted in the United States for his role in the first World Trade Center attack. Following the arrest of Ramzi Yusif in 1995, the Pakistani police reportedly raided Muwafaq's offices and held its local director in custody for several months. The Muwafaq Foundation also provided support to HAMAS and the Abu Sayyaf Organization⁷ in the Philippines.

The Muwafaq Foundation also employed or served as cover for Islamic extremists connected with the military activities of Makhtab Al-Khidamat (MK),⁸ which has been partially financed by the Muwafaq Foundation. The Muwafaq Foundation supplied identity cards and employment as cover for some Arabs to allow them to obtain visas to remain in Pakistan. The founder of MK was Abdallah Azzam, who was Usama bin Laden's mentor. Following the dissolution of MK in early June 2001 and its absorption into Al-Qa'ida, a number of NGOs formerly associated with MK, including Muwafaq, also merged with Al-Qa'ida.

Mr. Kadi has asserted in various press interviews that the Muwafaq Foundation ceased operations at a range of different times in 1995, 1996 or 1997. However, the United Nations reported that Muwafaq was active in Sudan as late as 1997. Moreover, far from ceasing operations, the U.N. report stated that the "Muwafaq Foundation plans to *continue to expand* its humanitarian activities in the coming year . . ." U.N. Department of Humanitarian Affairs, *Consolidated Inter-Agency Appeal for Sudan January-December 1997* (Feb. 18, 1997)(emphasis added).

From 1993, the head of the European offices of the Muwafaq Foundation was Ayadi Chafiq Bin Muhammad, who has been identified as Mr. Kadi's closest associate.⁹ Ayadi Chafiq fought in Afghanistan in the 1980s and is known to be associated with the Tunisian Islamic Front (TIF) in Algeria and Nabil Ben Mohammad Salah Maklouf, its leader. Mr. Chafiq was expelled from Tunisia because of his membership in the TIF. As of February 1999, Mr. Chafiq was running Mr. Kadi's European network and serving as the president of Depositna Banka in Sarajevo, Bosnia, which was owned by Mr. Kadi. Mr. Chafiq may have participated in planning an attack on a U.S. facility in Saudi Arabia. Mr. Chafiq left his residence in London in a hurry after the September 11 attacks, and had reportedly been in the United States in the months preceding the attack.

The pattern of activity displayed by Mr. Kadi, and his foundation and businesses, is typical of the financial support network of Al Qa'ida and other terrorist organizations. Working in troubled areas such as Bosnia, Somalia, Sudan, and various refugee camps, the putative "relief" organizations provide cover for individuals engaged in recruiting, organizing, and

⁷ The Abu Sayyaf Organization is a "Specially Designated Global Terrorist Entity" under E.O. 13224.

⁸ MK is a "Specially Designated Global Terrorist Entity" under E.O. 13224.

⁹ Ayadi Chafiq is a "Specially Designated Global Terrorist Individual" under E.O. 13224. See Amendment of Final Rule, 66 Fed. Reg. 54404 (2001). He also is listed as one of the signatories on Swiss accounts at Faisal Financial with Kadi.

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training terrorist cells. Their provision of humanitarian aid and educational services is done in concert with the terrorists to win the hearts and minds of the local people to whatever causes the terrorists espouse. When a region becomes more settled, such as Bosnia or Albania today, seemingly legitimate businesses replace charitable foundations as cover for continuing terrorist organizational activity. Mr. Kadi's actions and those of his Muwafaq Foundation and businesses fit this pattern and give rise to a reasonable basis to believe that they have facilitated terrorist activities.

As noted previously, this is a summary of information concerning Mr. Kadi that we can release at this time. If we are able to release additional information in the future we will let you know.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Aufhauser', with a long horizontal line extending to the right.

David D. Aufhauser
General Counsel